

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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IN THE MATTER OF THE APPLICATION OF)
EASTERN SLOPE RURAL TELEPHONE)
ASSOCIATION, INC., FOR APPROVAL OF AN)
OPTIONAL PLAN FOR EXPANDED LOCAL)
CALLING.)

Docket No. 03A-124T

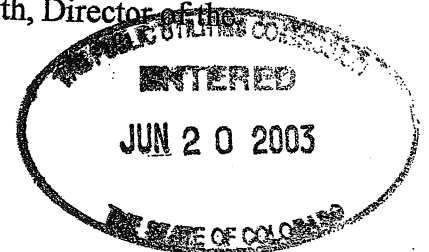
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JOINT MOTION TO APPROVE STIPULATION AND SETTLEMENT AGREEMENT

NOTICE OF CONFIDENTIALITY: THIS DOCUMENT CONTAINS REFERENCES TO CONFIDENTIAL EXHIBITS THAT HAVE BEEN FILED UNDER SEAL.

Eastern Slope Rural Telephone Association, Inc. ("Eastern Slope"), Qwest Corporation ("Qwest"), the Staff of the Public Utilities Commission of the State of Colorado ("Staff"), and the Office of Consumer Counsel ("OCC"), each individually a "Party" and collectively the "Parties", by and through their respective counsel, hereby respectfully request an order from the Commission approving, without modification, the Stipulation and Settlement Agreement ("Stipulation") attached hereto as Exhibit A and incorporated herein by reference. In support hereof, the Parties state as follows:

1. On or about March 27, 2003 Eastern Slope filed its Application for Optional Expanded Local Calling and Motion for Waiver of Certain Commission Rules Pertaining to Expanded Local Calling (4 CCR 723-2-17.3). The Application notes that Eastern Slope seeks expanded local calling into metro Denver only for its Bennett Exchange customers.
2. Notice of Application filed was duly issued by Bruce N. Smith, Director of the Staff, on March 31, 2003.
3. Qwest, Staff and OCC intervened in the docket.



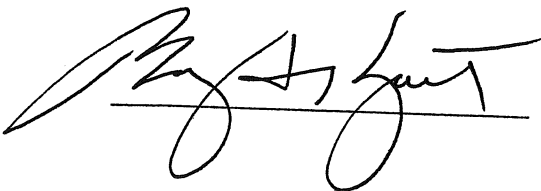
4. The Commission suspended the Application and assigned it to ALJ William J. Fritzel.
5. The Parties have met, negotiated, and reached a settlement as to all issues that were raised or that could have been raised by the Parties in this docket.
6. The Stipulation provides the terms and conditions of the settlement reached by the Parties. The Parties hereby respectfully request an order from the ALJ approving, without modification and without hearing, the Stipulation.
7. The Parties submit that the terms set forth in the Stipulation are just and reasonable, reasonably balance the interests of the Parties and are in the public interest. In addition, the Parties submit that reaching the agreement set forth in the Stipulation by means of a negotiated settlement, rather than through a formal adversarial process, is also in the public interest.
8. The Stipulation filed herein as Exhibit A contains references to Qwest's Confidential Exhibit A which has been filed under seal in this Docket.

WHEREFORE, the Parties respectfully request an order from the ALJ assigned to this Docket, approving the attached Stipulation without modification and without hearing.

Dated this 20th day of June, 2003.

For the Applicant Eastern Slope:

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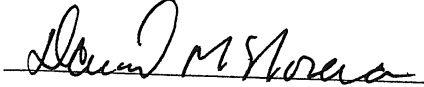
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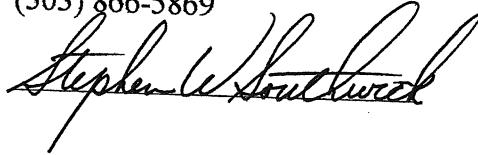
For Staff of the Commission:

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For the Office of Consumer Counsel:

Stephen W. Southwick
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CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of June, 2003, the original and eight copies of the foregoing **JOINT MOTION TO APPROVE STIPULATION AND SETTLEMENT AGREEMENT** was hand-delivered to:

Bruce Smith, Director
Colorado Public Utilities Commission
1580 Logan Street, Office Level 2
Denver, CO 80203

and a copy was faxed, -hand-delivered or placed in the United States mail, postage prepaid, addressed to the following:

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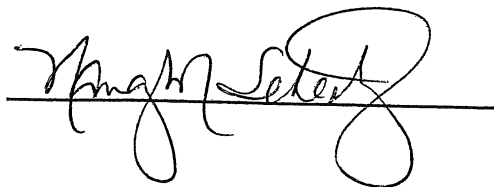
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A handwritten signature in black ink, appearing to read "David M. Nocera", is written over a horizontal line. The signature is stylized with large loops and a long tail.

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

IN THE MATTER OF THE APPLICATION OF)
EASTERN SLOPE RURAL TELEPHONE) Docket No. 03A-124T
ASSOCIATION, INC., FOR APPROVAL OF AN)
OPTIONAL PLAN FOR EXPANDED LOCAL)
CALLING.)

STIPULATION AND SETTLEMENT AGREEMENT OF THE PARTIES

Eastern Slope Rural Telephone Association, Inc. ("Eastern Slope"), Qwest Corporation ("Qwest"), the Staff of the Public Utilities Commission of the State of Colorado ("Staff"), and the Office of Consumer Counsel ("OCC"), each individually a "Party" and collectively the "Parties", by and through their respective counsel, submit this Stipulation and Settlement Agreement ("Stipulation") in full settlement of the issues in the above-captioned docket. The Parties respectfully submit this Stipulation for approval by the Commission pursuant to Rule 723-1-83(a) (2000) of the Commission's Rules of Practice and Procedure. The Parties agree and stipulate as follows:

1. Procedural Background. On or about March 27, 2003 Applicant Eastern Slope filed its Application for Optional Expanded Local Calling and Motion for Waiver of Certain Commission Rules Pertaining to Expanded Local Calling (4 CCR 723-2-17.3), requesting expansion of the local calling area for its Bennett Exchange customers into the metro Denver area. The Application was accompanied by the Affidavit of Chuck Helgerson supporting the waiver requests contained in the pleading. Attached to the Application were several maps identifying the boundary locations of the Eastern Slope Bennett Exchange. Also accompanying the Application were the Direct Testimony and Exhibits of Chuck Helgerson and the Direct Testimony and Exhibits of Kevin J. Kelly.

Attached to the Helgerson Testimony are a number of letters from governmental and business entities supporting the Application. Attached to the Kelly Testimony is a revised Local Access Services Tariff reflecting the requested calling area expansion. Also filed under seal in the Docket are several confidential exhibits to the Kelly Testimony that provide statistical, financial, and Cost Study information in support of the filing. The Commission published its Notice of Application Filed on or about March 31, 2003. Qwest intervened in the application on April 17, 2003. OCC filed its Notice of Intervention on April 24, 2003. On or about May 16, 2003, without opposition by Eastern Slope or Qwest and with leave of the Commission, Staff intervened in the application. Also during the months of April and May, 2003, non-disclosure agreements, pursuant to Commission Rule 723-16, were filed on behalf of the OCC, Staff and Qwest. The Parties engaged in discussions via email and by telephone, and met and finalized their tentative settlement agreement on May 21, 2003.

2. Requested Expansion of Local Calling Area. The application requests expanded local calling into the Denver metro exchanges for Eastern Slope's Bennett Exchange customers only. Customers located in Eastern Slope's nine remaining exchanges were not included in the application and are thus not a subject of this Agreement.

3. Stipulated Expansion of Local Calling Area. Qwest stipulates and agrees that it takes no position relative to the requested calling area expansion, yet does not oppose the Eastern Slope application. Staff and the OCC stipulate and agree that they generally favor the application. The Parties stipulate and agree that the application should be granted, and that the application and the settlement among the parties shall not result in any discontinuance or curtailment of any pre-existing local calling areas.

4. Applicable Rules: Community of Interest Standard. The Eastern Slope Application notes that the calling volume requirements in Commission Rule 732-2-17.3.3 are not met by its Bennett Exchange customers and for that reason, it makes "independent application" for approval pursuant to Commission Rule 723-2-17.3.3.2 ("Alternate Criteria Standard"). In determining whether the community of interest Alternate Criteria Standard is met, Rule 17.3.3.2 states that the Commission shall consider "community of interest issues dictated by urban growth patterns, and the present and future availability of essential services in rural areas." In making its determination, the Commission is required to consider: (a) The local calling area principles of Rule 723-2-17.3.1; (b) customer calling patterns; (c) the location of transportation centers; (d) demographic profiles of the residents of the exchange(s); and (e) the location of primary centers of business activity and employment centers, and the location of employee residences, and may consider other pertinent factors.

5. Conformity with Alternate Criteria Standard. The Eastern Slope Application and its supporting documentation, including the testimonies of Chuck Helgerson and Kevin Kelly and their respective exhibits as summarized and commented upon below, support the existence of a community of interest between and among Eastern Slope's Bennett Exchange customers and the metro Denver calling area. To the extent that these requirements are not met Eastern Slope has requested waiver of the requirement of this rule in light of the discontinuity in calling areas that was created for its Bennett Exchange customers by this Commission's approval of the Bijou Application for Expanded Local Calling in Docket No. 01A-124T. The Parties support any required waiver. The Parties also note that it is provided in Rule 723-2-17.3.3.2(a), and in the local calling area principles set out in Rule 723-2-17.3.1 that each local calling area should, in general and to the extent possible: (a) allow customers to place and receive calls without payment of a toll charge to "9-1-1", the county seat, municipal government, elementary and secondary school

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districts, libraries, primary centers of business activity, police and fire departments, and essential medical and emergency services; (b) be provided in both directions between the two exchange areas; and (c) not exhibit any discontinuities. As is noted in the Eastern Slope Application and its supporting materials, its Bennett Exchange customers live in a predominately rural area which is located on the fringe of an ever expanding Denver suburban area. Bennett customers must make long distance calls to reach their governmental, primary business, educational and certain medical services. As is noted in the supporting correspondence from governmental entities, including the Town of Bennett, Front Range Airport, Arapahoe County, and Adams County, the current local calling area requires that long distance charges be incurred by citizens utilizing governmental services and the change requested by the Eastern Slope Application is strongly supported. In addition, the I-70 Regional Economic Advancement Partnership endorses the filing to enhance the economic and social well being of the Bennett area. The testimony of Mr. Helgerson indicates the numerous contacts he has had from company customers who note their community of interest for governmental, medical and educational needs with the greater metro Denver calling area. Also as noted previously, a "calling discontinuity" does presently exist in that customers of the Bijou Telephone Cooperative who are located further out the I-70 corridor from metro Denver than Eastern Slope's Bennett Exchange customers – are able to make local calls into metro Denver while customers located in Bennett must incur a toll charge to make a metro area call.

6. Rate Impact: Eastern Slope Bennett Exchange Customers. As is noted in paragraph 13 of the Application, Eastern Slope will offer the customers of its Bennett Exchange the option to elect an unlimited, flat rate calling plan for local calling into the Denver Metro area for a flat rate of \$13.50 per month, in addition to the current basic residential service rate of \$13.36 per month or in addition to the current basic business service rate of \$16.03 per month. The current local exchange

residential basic rate and business basic rate will not change for those Eastern Slope customers who do not elect to take the optional calling plan. Because the Eastern Slope plan is optional and is only applicable to its Bennett Exchange customers, it has sought waiver of Commission Rule 723-2-17.3.6 pertaining to customer survey requirements, and Rule 723-2-17.3.3.3 which requires that "... any rate increment shall be determined by apportioning the cost among all of the customers of the provider." The Parties support these requested waivers.

7. Cost and Rate Impact on Qwest. Expansion of local calling areas in growing communities is a process conducted under Commission Rule for the benefit of local exchange customers, avoiding future costs for customers (due to an increasing need to place toll calls) and safeguarding service providers from unreasonable financial impact. The benefit to Eastern Slope's Bennett Exchange customers of the requested expansion will have two significant impacts on Qwest: (1) Loss of present revenue that may include, but is not limited to, revenues associated with access service rates¹ paid by toll providers and loss of present revenues associated with long distance rates² paid by end-user customers; and (2) Increased infrastructure networking costs created by the need to reinforce local trunking and network capacity due to increased local calling. The Staff and Qwest believe that Commission Rules show an intent that providers expand local calling areas in a revenue-neutral process, with present-day costs recovered through an increase in local call rates. The OCC does not agree with Staff's and Qwest's interpretation of Commission Rules. Rule 723- 2- 17.3.3.3 states: "When a local calling area is expanded, any rate increment shall be determined by apportioning the cost among all the customers of the provider."

Commission Rules require the service provider to calculate the costs of local calling area expansion

¹ Excluding the High Cost Fund support deficiency due to the elimination of the Carrier Common Line Charges (CCLC) associated with the Colorado High Cost Fund calculation. Future Colorado High Cost Fund calculations will be adjusted to reflect the CCLC impacts.

and present a "Cost Study" to Staff for review and verification. If necessary, the cost calculations may be modified by the Commission. See Rule 723-2-17.3.5. The Parties agree that both Eastern Slope and Qwest have conducted and submitted the results of a Cost Study to Staff and the OCC, that Staff and the OCC have reviewed these studies and their supporting information. Staff and the OCC have found that the calculations for the proposed calling area expansion are complete and that they accurately quantify and support both Eastern Slope's proposed optional calling plan monthly rate and Qwest's revenue requirement deficiency. Qwest's revenue requirement deficiency is attached to and incorporated in this Agreement by this reference as Confidential Exhibit A (under seal). Qwest's total revenue requirement deficiency associated with the local calling area expansion requested by Eastern Slope, as reviewed and approved by Staff and the OCC, is contained in Confidential Exhibit A. The amount of this revenue requirement deficiency does not warrant an increase in Qwest's basic local rates at this time. Staff, the OCC and Qwest, therefore, agree to defer recovery of the revenue requirement deficiency until such time as Qwest combines this revenue requirement deficiency with other revenue requirement deficiencies in the following manner. In a previous docket Qwest, the OCC, and Staff entered into a stipulation that became the basis of Qwest's Price Regulation Plan, which stipulation was approved in Decision Nos. C99-222 and C99-407, and was further modified by a subsequent local number portability ("LNP") stipulation, approved in Decision No. C00-989, (hereinafter referred to as the "LNP Stipulation"). The LNP Stipulation requires reductions in business rates of approximately \$4.4 Million. Qwest, OCC and Staff agree to further modify the LNP Stipulation such that instead of reducing business rates as contemplated in the LNP Stipulation, Qwest will use approximately \$700,000 of said reduction to offset revenue losses for the EAS expansions of Garfield (Docket No. 02A-010T),

² Excluding the High Cost Fund support deficiency due to the elimination of the Imputed Carrier Common Line Charges (CCLC) associated with the Colorado High Cost Fund calculation. Future Colorado High Cost Fund

Bijou (Docket No. 01A-124T), Strasburg (Docket No. 03A-102T) and the instant docket. The OCC and Staff agree to actively promote and seek Commission approval of this modification to the LNP Stipulation.

8. Time Line. The estimated time to complete the local calling area expansion for Eastern Slope's Bennett Exchange customers is ninety (90) days after issuance of the Commission's Final Order. If it becomes apparent that a substantial departure from this time frame is likely to occur, the Parties will file a notice in the above-captioned docket and provide for service upon all Parties.

9. Customer Notice. Eastern Slope will notify its Bennett Exchange customers of their expanded local calling plan option by direct mail in conformance with the Notice attached as Exhibit Two to the Testimony of Chuck Helgerson. Such notice will describe the calling option and its rate with specificity and will advise of the date of the availability of the service consistent with paragraph 8 above. Notice will not be provided either to Eastern Slope's customers located outside of its Bennett exchange, nor to Qwest's metro Denver area customer base nor to the Denver metro area customers of other providers either by Eastern Slope or by Qwest. Because of the costs associated with such notice, the Parties support waiver of any such notice requirement.

10. Tariff Amendments. Qwest will file any necessary tariff amendments no later than fifteen days prior to the implementation date identified in paragraph 8, above, or within such other period of time as may be required by applicable law. Eastern Slope has filed a draft tariff with its Application. It will file a revised, implementing tariff no later than fifteen days prior to the implementation date noted in paragraph 8 above, or within such other period of time as may be required by applicable law.

11. Purpose of this Agreement. This Agreement is a settlement of disputed and compromised claims and, accordingly, is made for settlement purposes only. No party concedes

calculations will be adjusted to reflect the CCLC impacts.

the validity or correctness of any regulatory principle or methodology directly or indirectly incorporated in this Agreement. Furthermore, this Agreement does not constitute an agreement, by any party, that any principle or methodology contained within this Agreement may be applied to any situation other than the above-captioned docket. No precedential effect or other significance, except as may be necessary to enforce this Agreement or a Commission order concerning this Agreement, shall attach to any principle or methodology contained in this Agreement.

12. Support by Parties. The Parties agree to support all aspects of the stipulations and agreements embodied in this Agreement in any hearing or proceeding conducted to determine whether the Commission should approve this Agreement, including but not limited to any pleadings, comments filed or testimony given in such a proceeding, or in any appeal of the decision. Each party also agrees that, except as expressly provided in this Agreement, e.g. paragraph 7 above, it will take no action in any administrative or judicial proceeding, or otherwise, which would have the effect, directly or indirectly, of contravening the provisions or purposes of this Agreement. Furthermore, each party represents that, except as expressly provided in this Agreement, in any proceeding in which this Agreement or its subject matter may be raised by a non-party, each party will support the continued effectiveness of this Agreement. Without prejudice to the foregoing, but with the exception of Qwest's recovery of the revenue requirement deficiency as stated in paragraph 7 above, the Parties and each of them expressly reserve the right to advocate positions different from those stated in this Agreement in any proceeding other than one necessary to enforce or obtain approval of this Agreement or a Commission order concerning this Agreement. Nothing in this Agreement shall constitute a waiver by the Parties or any of them with respect to any matter not specifically addressed in this Agreement.

13. Final Commission Order. This Agreement shall not become effective and shall be of no force and effect until the issuance of a final Commission order, approving this Agreement and not containing any material modification of this Agreement that is deemed unacceptable by any of the Parties. In the event the Commission modifies this Agreement in a manner unacceptable to any party, that party may withdraw from this Agreement and shall so notify the Commission and the other Parties in writing within ten (10) days of the date of the Commission order. In the event a party exercises its right to withdraw from this Agreement, this Agreement shall be null and void and of no effect in these or any other proceedings, and the above-captioned docket shall be set for hearing and a procedural schedule established.

14. Inadmissibility. In the event this Agreement becomes null and void or in the event the Commission does not approve this Agreement, this Agreement, as well as the negotiations and discussions undertaken in conjunction with this Agreement, shall not be admissible into evidence in these or any other proceedings.

15. Public Interest. The Parties stipulate that they have reached this Agreement by means of a negotiated process in the public interest and that the results reflected in this Agreement are stipulated to be just, reasonable, and in the public interest. Approval by the Commission of this Agreement shall constitute a Commission determination that the stipulations and agreements contained herein are a just, equitable, and reasonable resolution of the issues described in the application and in this Agreement. The Parties agree to the specific waiver of any Commission Rule identified in this Agreement, and the waiver of any such additional Commission rule, to the extent necessary to implement or effectuate this Agreement.

16. Construction and Enforcement. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Colorado.

17. Integrated and Binding Agreement. This Agreement is an integrated agreement that may not be altered by the unilateral determination of any party and which shall be binding on and shall inure to the benefit of the Parties hereto and their successors and assigns.


18. Counterparts. This Agreement may be executed in separate counterparts, and the counterparts taken together shall constitute the whole of this Agreement.

19. Facsimile Execution and Signature Authority. This Agreement may be executed by facsimile transmission. Signatures obtained through facsimile transmission shall be valid and binding, as if they were original signatures. Attorneys and other representatives and agents, signing on behalf of the Parties, represent and warrant that each has the authority to bind the party to the terms of this Agreement.

STIPULATED AND AGREED UPON this 20TH day of June, 2003.

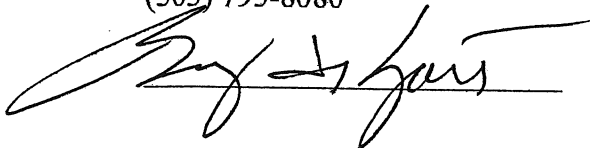
Eastern Slope Rural Telephone Association, Inc: Qwest Corporation:

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General Manager
403 3rd Avenue
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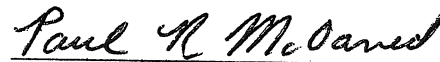


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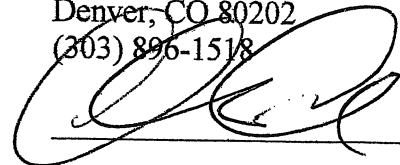


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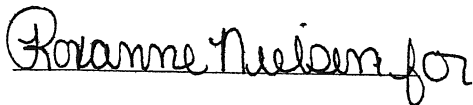
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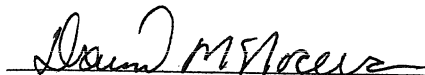
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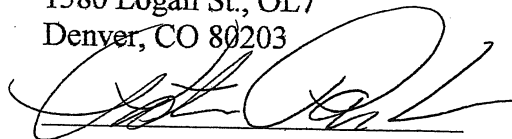
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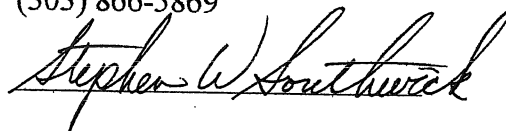


EXHIBIT A

Revenue Requirement Deficiency

Filed Under Seal